

Benjamin Grubbs of Next 10 Ventures

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity and many other investors for early stage and growth companies. I hope you enjoy this episode. Investor Connect is a 501 C three non-profit dedicated to the education of investors and startups for fundraising. Please consider donating \$100 to the program to help others in their investor and entrepreneur journey. You can find the Donate button on the Investor Connect org website.

Speaker2: [00:00:44] Hello, this is Hall Martin with Investor Connect, the today we're here with Benjamin Grubbs, founder of Next 10 Ventures. Next 10 Ventures is a venture group focused on the global creator economy. They have invested in over a dozen early stage startups covering enterprise tools and services for creators, as well as startups building new experiences for consumers. Benjamin, thank you for joining us.

He's all for having me here today.

So tell us more about your background before investing in early stage companies.

That most of my career in the Asia-Pacific region, 15 years spread across Hong Kong and Singapore. Working for Internet, tech and media companies like Yahoo, eBay, Turner Broadcasting to join Google in 2012 in Singapore and through that company actually made my way back to the States in late 2013. I spent a few more years with the company and then broke off in early 2018 to get full time into incubating startups and then also kind of getting into the ecosystem. Great, so what excites you right now? The overall, I'd just say, like the pace of growth of companies that I've been supporting since 2018, there is excess that in closing Series A Series B investment rounds, the evaluations of the companies are way up. There's a great group of institutional VCs that have come in to this ecosystem to actually leave these later rounds. And I was bullish. I say I was bullish enough in twenty seventeen into this space that there is still a lot of upside to growth ahead to kind of focus on it full time.

And overall, my expectations have actually been exceeded by the pace and pace of growth, and some of this actually just really being accelerated over the last two years. Up by the pandemic, there has been more online consumption in general, both across media commerce. And how that's both, you know, disrupting but also creating opportunities for companies in this space.

Great. So what's your advice for people investing in startups? What do you tell them to do before they write that check?

I think within the greater ecosystem. Overall, I'd say it's just getting hands on and using the product or service. And I think if you're kind of both investing or even creating companies in this space and actually a key stakeholder is the content creator. Spending time with the creators and actually really understanding kind of their pain points their needs. So you're developing, addressing some of those follow ups and needs and not doing something actually in search of the problem.

Right. On the other side of that table, what's your advice for people running startups? What do you tell the founder to do before they go out to raise funding?

I would say a similar thing is just, you know, being somewhat grounded in research or insights and understanding kind of some of the problems, the pain points and what your payment can server solve and then the market that you're actually playing in understanding the overall size of that market, the addressable market.

Here for the better, which you're actually to go and tackle that that problem of opportunity and being somewhat measured about. How you're building the company at the outset and. Well, I don't also understand to say what's really critical on day one. It was then that that first year.

Great. Well, let's talk about the state of startup investing. How do you see the industry evolving from here? I think within the greater system across a couple of fronts, the ad market's robust that the bellwether thing in the space, I think is still YouTube and think of twenty twenty one. My estimate is the company. They haven't announced earnings yet, but I would expect to see Google stating that YouTube ad revenue is surpassed \$30 billion in twenty twenty one. Which is pretty significant for the company itself. And I saw something earlier this week on ByteDance and Tik Tok. There is a report that in the last year, the company has generated \$4 billion in

revenue for tick tock. This is all China. And this year forecast to triple to \$12 billion. So it's all YouTube is, is healthy and growing. I think their ad revenue is tripled since since 2018. So between twenty eighteen to twenty twenty one. You know, we've seen this also with other players in the market. Tick tock, what Amazon is doing as well, so ad markets robust, commerce robust as well.

And this intersection? Of crater is actually in commerce. Just go back to YouTube, that ad revenue would kind of suggest that there's about \$600 billion in attributable retail and e-commerce activity coming off of the advertising. And that audience actually kind of acquired through the platform. It's a piece I kind of see there is like, who's winning that share of wallet? Is it going a see of robotic companies, digital upstarts or creators themselves actually kind of create these these DTC brands? And lastly, I think how the industry is going to evolve it is the intersection with Web three. And there's more that actually happened in twenty twenty one, continue to be more of that actually occurred in 2022. And so I think, you know, there there's a big emphasis kind of on community community building, and some of those are the key tenets of action with creators have been doing for the last 10 15 years, building pretty robust communities on platforms like YouTube and then figuring out ways to actually. Drive on ancient actually of those. And that's a big thing that's occurring right now in some of these three projects. And so I think some of the. Processes and methodologies are just the manner in which people have actually been executing over there over the years, actually in the greater space is there's a lot of applicability, actually inventory and hence some of the overlap there.

Speaker2: [00:06:58] Great. What's the biggest change you think? We'll see and save the next 12 to twenty four months in this space?

I'm here in Los Angeles, and I definitely see a lot of activity firsthand in the United States, and as I said earlier, I spent the majority of my career actually in the Asia-Pacific region. You know, one thing I'm expecting to kind of see more in the next 12 to 24 months is how this this ecosystem and the companies actually that are operating and also investors are continuing to kind of grow and emerge in other international markets for YouTube. Their single biggest market for daily active users is India. High growth markets as well in Southeast Asia, Latin America, also Africa, the Middle East, and so I think there's been a lot of investment capital put into companies actually that are based here in the U.S., and I would expect to see over the next 12 to 24

months both entrepreneurs and founders. Pursuing kind of market opportunities outside the U.S. and some of the investment capital following actually where those opportunities are.

Great. Well, let's talk about the investment thesis for your fund. What exactly is it and what's your criteria for making an investment?

Initially, I was really driven by the problems, the needs of craters that I was witnessing at YouTube and what the company was doing itself or not at all, to kind of address those problems it needs.

And so that's kind of where I saw some of the gaps and opportunities and felt that there is there is an opportunity. And then as I saw, the more craters actually go full time, then start to employ, you know, a dozen or in some cases, a hundred plus people. From there, I was like, all right. This is an ecosystem that's actually spawning its own market economy and multibillion dollar one at that. And so that the creator ecosystem is it's disrupting legacy companies and industries, spotting its own multibillion dollar companies that are both enterprise and consumer facing companies. But also, I said, those companies are going to get disrupted themselves, just as we've seen over the last twenty five years with the broader internet. There's been different cycles over the last twenty five years, and I think companies that emerge on the scene between 1995 and 2000. And that wasn't game over and those are your winners. You know, those companies later kind of gave way to other businesses that got started, you know, between two thousand twenty five or twenty five to twenty ten. And so I think just within this, this ecosystem or within the greater economy. I think we will continue to kind of go through some of the cycles and something that's absolutely driven by the the end user and the consumer. And you know, I've got three kids at home at seven, 10 and 12, and how I see them kind of consuming media or adopting commerce is.

Puts it in some ways, obviously different than an 18 year old or a twenty eight year old. And so what they're open to or what they're accepting is? It's different than a generation kind of before, and so I think it's companies actually are tuned in to that that creates opportunities to disrupt and I think for existing businesses to make sure you're actually not being disruptive overall. Another piece of just kind of add to that, I think just given the size of companies in the space, you know, from a market valuation, you know, I'm hopeful to kind of see that some of these companies actually start to. See exits into the public market, and I think also through that,

we'll continue to see. M&a activity, kind of. You'll continue to see M&A activity. Within this, this industry,

great, you talk about one or two startups that fit that thesis. Well, so within the kids media space.

Late last year, we saw Bloomberg, which was formed less than five years ago, now a company get formed and then was actually acquiring YouTube Kids channels. And then late last year, they were actually acquired themselves and with funding from Blackstone for a \$3 billion. Overall, what you guys saw there was entrepreneurs seeing that there is opportunity for growth kind of on the YouTube platform as a content creator and actually creating kids content and then generating revenue from that from advertising or consumer products.

So much so that Bloomberg was capitalized and actually formed, and the way that that just segment of the market is actually kind of grown. You know, it's attractive for private equity money to come into this space as well for for that exit. So that's what actually that's been pretty, pretty encouraging. The other side is just the enterprise layer and on the tech of tools like Patreon formed by a OR. Patron was founded by a content creator, Jack Conti. You know, how to pinpoint and how his content was actually being monetized on YouTube. And so the effort that he has actually put it in the cost that he was actually putting into the videos he didn't feel was actually being. What he is receiving back actually was not adding up to the the effort kind of put in doubt, there is a better way. And some of that then was a direct fan modernisation, which he then pursued that with Patriot, and they've seen great success with their company. They've also taken on additional investment now now have a \$4 billion plus private market valuation. So I think, you know, we've seen good opportunities and growth on the enterprise side and just companies get to that multibillion dollar valuation because the industry itself is large enough and created themselves are actually small businesses. But the other piece is just how consumer.

Consumption of media has actually shifted and the space shifted from linear television to platforms like YouTube. And with that, the audience gives advertisers go and consumer products and other forms of revenue kind of follow as well. Where then you have again, a company like Bloomberg can actually get could become pretty sizable, just building a business up off of YouTube.

Oh, so, you know, there are many challenges in the space for startups and investors. What do you find is the main challenge startups face in today's market?

One big one to be is just staffing and recruitment. So I think with attack or with an internet companies. There's been a lot of competition over the last 20 plus years for engineering talent. And I think within the greater ecosystem, it's the competition for talent that's in the role of creative partnerships or community management. So if you're building a company that's enterprise focused tech and tools for creators. Well, your key stakeholder is a content creator. And so then how is your company actually getting connected and scaling that outreach? To getting the adoption actually of your part of the service, actually from the creators themselves. And so there's a number of companies that I can see that have open job actually for some of the lead creative partnerships or or they're titling that and as a community manager. And so, yeah, I think there's more demand actually for those roles, then there are people who have years of experience actually in this space.

And so it's I think it's both an opportunity actually for those that actually want to be employed, but it's a challenge for those that are actually doing the employment.

Right. So what are the challenges in this space for the investor?

Depends on what type of investor you are in, what stage of this market you're kind of entry, whether that is early, say, early stage as a procedure seed investor. Or is a growth stage in the later stages of the company? So if you kind of answer that in a different way, I think on the. The preceeded seed stage and the pre-seed, you're going to be interfacing with batteries and companies that could be pre product and pre-recorded. And so I don't think that's unique just to this greater ecosystem. But then it comes down to know you're betting on people and the founder and their their ability to execute. And so I think from that side is just the ability to have the relationship. And one challenge, I think on that front challenge in an opportunity, I would say it depends how you're executing this. But because of the pandemic and maybe more interfacing with people actually through Zoom or Google Meet and through video and actually not in person, I can both create a challenge in terms of actually how you're building those interpersonal relationships with people at that early stage.

The other side is to create an opportunity because the time spent actually traveling and needed person than how many meetings you can conduct in the day. And in my case, I think

pre-pandemic I was spending the equivalent of nine full work weeks in the air flying around the world. I don't do that as much anymore. And so I got a lot of time back, and so that was more time to actually spend with founders and those that are actually working with already in the portfolio and interfacing with more people thinking not just here in the U.S., but in regions like Africa, Latin America and Asia. And I don't need to hop on the plane anymore to have that meeting if we can just do that now through Zoom, which is great.

Right? Well, there's different subsectors and applications in this area. You had to pick one or two that are good opportunities to pursue today. What would you put at the top of the list?

I think at the top, I was touching on this earlier, just the intersection with three, I think just given the somewhat still newness. Within that space. And I think you can approach that from an infrastructure or enterprise aspect or approaching that from the consumer side, so consumer facing kind of products and services. There is an immense amount of opportunity there, and. That's an area I definitely think about a lot, and I see an increasing number of companies kind of pursuing that space.

And as I said, kind of trying to leverage some of the. Successive learnings, actually, that have been occurring over the last decade plus for security forces to kind of fast tracks of the development actually valid Web3.

Right, but in the last few minutes that we have here, what else should we cover that we haven't?

Australia's been on myself, so we've talked a lot about just on the investing side, where I also spend spend a decent amount of time is also on incubating and shaping the companies. And so in late May 2020, I formed a company called Collide and co-founded that with the partner and then an early Twenty Twenty One co-founded a separate company called Creative Plus. Clyde actually operates within the creative marketing space or marketing advertising sector within the greater ecosystem and credit places in the entertainment. Sector within the within this crater ecosystem. So, yeah, I. Spent a good amount of time kind of on being hands on and actually shaping companies. So and that draws from a lot of my prior experiences working at companies as an operator. And so I really just did switch that switch that off. That's still kind of continues. And then I spend a lot of my time with the founders that I'm fortunate to kind of be involved in

and support as an investor is then also trying to look at how it can actually play an active role in some aspect of their company.

And that definitely varies company and company and also kind of where they are in the stage of the business. But that's a part to me, I think, is it keeps me pretty active and energized. And also, I'd say, just like what I'm able to learn and benefit from, cheaper one is also than seeing how you can actually apply that. To another, and so all in, I think now is an interface with close to 30 companies. Spread spread across a number of regions actually around the world and. That's. Exciting time, and as I said earlier, I think what I was thinking about back in Twenty Seventeen and leave a corporate career and dive dive into this early stage. Career, it's. It's been entirely rewarding. And if I had to go back and do it again, I definitely would.

Right. So how best for listeners to get back in touch with you?

I'm active on on LinkedIn and probably an easy way to get in touch with me. I've hired a number of people through LinkedIn and. That meant a lot of good fathers actually through the platform as well, so it's probably the easiest way to get in touch.

Right? Well, include those in the show notes. Want to thank you for joining us today and hope to have you back for a follow up soon.

Thank you very much.

Speaker3: [00:20:24] Investor Connect helps investors interested in startup funding in this podcast series experience investors share their experience and advice. You can learn more at Investor Connect Talk. Paul Martin is the director of Investor Connect, which is a 501c3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.